

Index

- Art of the Trade, The* (Jankovsky), 33
- Bias
 market, 105–111
 personal, 55, 64, 93, 96, 130, 133
- Black boxes, 37, 38
- Bottoming market
 characteristics of, 153–160
 described, 151–153
 exhaustion (reversal) bottom, 151, 157–161
 and market structure, 138, 139
 opportunities, 161
 and professional buyers, 152–154, 157, 159
 range bottom, 151, 154–157, 159, 161
 and secure trends, 167, 169, 170
 topping market compared, 153
- Breakouts
 false breakouts, 62, 70, 110, 111, 129
 and multiple time frames, 129
 and range markets, 110, 111, 115, 116, 172, 174–176, 178–180
 and urge to action, 63
- Carroll, Lewis, 81
- Certainty, focus on, 54–56, 63, 85, 86, 110, 121, 122
- Common sense, 127, 134, 135
- Conclusion-making process
 components of, 15–18
 example of, 18, 19
- fear of loss and risk, 20, 21
 and order flow, 14, 15, 17, 19–21, 120
 overview, 14, 15, 45, 46
 and perceptions, 49, 50, 70. *See also* Perceptions
- and probabilities, 119–125
 psychology of, 41–46
 and technical analysis, 10, 37
 and time compression, 19, 20, 42, 45
- Conflict resolution
 and multiple time frames, 92, 94, 95, 127
 psychology of conclusion-making process, 41–46
- Control mechanism, 15–18
- Da Vinci, Leonardo, 124
- Day traders, 13, 25, 129–131, 163, 164. *See also* Small traders
- Downtrend markets
 as order-flow imbalance, 107, 109
 potential for, 105–107
 secure trends, 163, 165–167, 169, 170
 trading choices, 114, 115, 118, 139
- Einstein, Albert, 119
- Emotional response, 15, 17–19
- Evaluation versus observational thinking, 86, 87, 92, 103, 120, 121, 123, 124, 134, 135, 184
- Exchanges, 5, 6, 34, 78

- Exhaustion bottom, 151, 157–161, 175
- Exit strategy
justification, 17
and psychological process of traders, 41–46
- False breakouts, 62, 70, 111, 129
- Fear of loss, 20, 21, 63, 120
- Forced liquidation
avoiding, 73
and leverage, 75–80, 180
multiple time frames, 72, 92
and order flow, 67–73
- Foreign exchange (FOREX), 5
- Fundamentals, 29, 30, 34, 35, 93, 94, 106, 131, 133, 171
- How to Think Like Leonardo da Vinci* (Gelb), 124
- Human behavior. *See also*
Psychological processes of traders
motivation, 49, 50
and order flow, 9
perception. *See* Perceptions
- Indicators, 35, 36, 63, 83, 93–98, 102, 110, 130, 131, 148, 171, 175
- Jankovsky, Jason Alan, 33
- Justification, 15, 17, 18
- Late buyers, 29, 30, 56, 65, 109, 147, 148, 167
- Late sellers, 109, 157, 159, 167
- Leverage
and forced liquidation, 75–80, 180
and time horizon for traders, 94, 95
- Lewis, C. S., 1
- Liquidation
forced liquidation. *See* Forced liquidation
liquidating market, 107. *See also* Downtrend markets
and losing trades, 4, 5, 11–14, 24, 25, 30, 31, 64, 82–84, 94, 103, 129
and market structures, 139
and multiple time frames, 92
psychology of, 41–47
and use of technical analysis, 61–65
and winning trades, 85
- Livermore, Jesse, 36
- Logical thinking, 91, 92
- MA. *See* Moving average (MA)
- MACD. *See* Moving average convergence/divergence (MACD)
- Margin calls, 69
- Market
bias, 105–111
and conclusion-making process. *See* Conclusion-making process
people as, 13, 14, 45
as process versus place, 13, 19, 87
quality of and potential order flow, 128–131
range. *See* Range
- Market structure
bottoming market, 138, 139, 151–161, 181
and change in order flow, 28–30
open interest component, 23, 27–30. *See also* Open interest
and order flow
balance/imbalance, 149, 153, 171–174, 180, 181
overview, 23, 24, 137–139, 180, 181
price component, 23–26, 28–30. *See also* Price
secure range, 138, 139, 171–181
secure trend, 138, 139, 163–170, 180
time component, 23–26, 28–31. *See also* Time
topping market, 138, 139, 141–149, 172, 181

- volume component, 23, 26, 27, 29,
 - 30. *See also* Volume
- Misdirection, 81–83
- Morgan, J. P., 151
- Motivation, 49, 50
- Moving average
 - convergence/divergence (MACD), 96, 97
- Moving average (MA), 96, 98, 143, 148, 154, 157, 159, 175
- Multiple time frames
 - about, 89, 90
 - and bias, 93, 96. *See also* Bias
 - breakouts, 129
 - conflict resolution, 92, 94, 95, 127
 - forced liquidation, 72, 92
 - late buyers and late sellers,
 - identifying, 109, 110
 - open interest, 95, 106, 107
 - and prices, 92–96, 98, 102
 - and professional traders, 129–131
 - random noise, 95–102
 - range markets, 107
 - and time horizon of traders,
 - 92–95, 98, 102, 103, 184
 - trading choices, 115–118
 - and urge to action, 94, 95
 - use of, 127–135
 - volume, 98, 99, 106, 128
- Murphy, John, 33
- Needs and wants, comparison to
 - raw data, 15, 16, 18
- Nin, Anaïs, 13
- Noise, random. *See* Random noise
- Open interest
 - in bottoming markets, 153–155, 158, 159
 - and market structure, 23, 27–30
 - and multiple time frames, 95, 106, 107
 - in range markets, 111
 - in secure range markets, 175
 - in secure trend markets, 164–169, 180
 - in topping markets, 142–145, 148
- Order flow
 - balance/imbalance, 9, 10, 19–21, 23, 26, 45, 55, 59–63, 71, 72, 79, 87, 107–110, 119, 131, 149, 153, 171–174, 180–181, 183
 - change in, 28–30, 45, 92, 134, 184
 - and conclusion-making process, 14, 15, 17, 19–21, 120
 - and forced liquidation, 67–73
 - and human behavior, 9. *See also* Psychological processes of traders
 - and market quality, 128–131
 - and price changes, 60–63, 70, 71, 92, 120, 121, 128, 129
 - and psychological process of traders, 41–46
 - and random noise, 95–102
 - technical analysis, impact of, 33, 34, 37, 38, 46, 59–64
 - and time compression, 9, 56, 57, 70–73, 79, 87, 184
 - and trading choices, 114–116
 - in zero-sum market, 8–10, 45, 127
- Oscillators, 96, 98, 148, 154, 159, 171, 175
- Out of the Silent Planet* (Lewis), 1, 2
- Overbought indicators, 35, 63, 83, 96, 98, 102, 110, 148
- Oversold indicators, 83, 96, 98, 102, 110, 148, 175
- Perceptions
 - and breaking point for traders, 70–73
 - and motivation for action, 49, 50
 - and price changes, 60, 70
- Perspective, loss of, 81–88, 92
- Price
 - as component of market structure, 23–26, 28–30
 - and creating the market, 4, 127
 - losers and winners analysis
 - charts, 96–102
 - and loss of perspective, 87, 88

- Price (*Continued*)
 and order flow, 60–63, 70, 71, 92, 120, 121, 128, 129
 and psychological processes of traders, 41–46
 range, 171, 172. *See also* Secure range
- Price bars, 130–132
- Probabilities
 and questioning, 121–125
 understanding, importance of, 119, 120, 134
- Professional traders
 in bottoming market, 152–154, 157, 159
 and multiple time frames, 129–131
 and open interest, 27, 28, 142
 in secure range market, 172–174
 and secure trends, 164–167, 169
 in topping market, 142, 148
 in trending markets, 107
 and zero-sum market, 11, 12
- Psychological processes of traders
 and conflict resolution, 41–46
 emotional response, 17, 18
 liquidation, 41, 42, 47, 110, 111
 and price changes, 127
 range markets, 109–111, 172–181
 uptrend and downtrend markets, 106, 107, 109
 winners versus losers, 122
- Random noise, 80, 90, 95–102
- Range
 bottom, 154–157, 159, 161
 described, 106
 and multiple time frames, 107
 and order-flow balance, 108–111
 secure range. *See* Secure range
 and time compression, 106, 107, 109–111
 top, 102, 116
- Relative Strength Indicator (RSI), 96, 97
- Reminiscences of a Stock Operator* (Livermore), 36
- Reversal bottom, 151, 157. *See also* Exhaustion bottom
- “Right now” thinking, 25, 26, 31, 42, 43, 76–79, 82, 83, 92, 94, 98, 102, 109, 128, 138, 148, 153, 172, 180, 184
- Risk
 controlling, 73
 reason for risk taking, 68–70
 and thinking in probabilities, 123, 134
 and use of leverage, 76–80
- Secure range
 described, 171, 172
 and market structure, 138, 139, 180
 psychology of, 172–179
- Secure trends
 described, 163, 164
 determining, 164, 165
 downtrends, 163, 165–167, 169, 170
 example of, 167–169
 and market structure, 138, 139
 opportunities, 169, 170
 price, 164, 165
 and professional traders, 164, 166, 167, 169
 and small traders, 163–165
 time, 164, 165
 and time compression, 166, 167, 169
 uptrends, 163, 164, 166, 167, 170
 volume, 164–166
- Self-awareness, 2
- Sensory data stream, 15, 16, 18
- Shared data
 and flaws of technical analysis, 10, 34–38. *See also* Technical analysis (TA)
 and information processing differences, 42
- Slaughterhouse-Five* (Vonnegut), 3
- Small traders. *See also* Day traders
 in bottoming market, 154, 157, 159, 165

- and leverage, 180. *See also*
 - Leverage
- in secure range market, 172–174, 178
- and secure trends, 163–165
- technical analysis, use of, 130, 131
- in topping market, 145–149
- and zero-sum market, 11, 12
- Stop-loss orders, 42, 43, 46, 69, 71, 73, 77, 117, 174, 178
- Straddles, 110, 111
- Tails, 131, 132
- Technical Analysis of the Financial Markets* (Murphy), 33
- Technical analysis (TA)
 - black boxes, 37, 38
 - and conclusion-making process, 10, 37
 - flawed logic of, 10, 34–40, 59, 60
 - and order flow, 33, 34, 37, 38, 46, 59–64
 - small traders, 130, 131, 180
 - and time compression, 62–65
 - trust in, impact of, 34
 - use of to find losers, 37–40, 59–65, 96–102
 - value of, 33, 34, 40
- Technical indicators. *See* Indicators
- Time
 - as component of market structure, 23–26, 28–31, 139
 - compression. *See* Time compression
 - “right now,” 25, 26, 31, 42, 43, 76–79, 82, 83, 92, 94, 98, 102, 109, 128, 138, 148, 153, 172, 180, 184
 - time frame for typical traders, 128–130
- Time compression
 - and conclusion-making process, 19, 20, 42, 43
 - and crowd behavior, 184
 - described, 51
 - elements required for, 54–56
 - examples of, 51–54
 - and individual behavior, 56
 - and late buyers and sellers, 109, 110
 - in markets, 55–57
 - and motivation. *See* Motivation
 - and order flow, 9, 56, 57, 70–73, 79, 87, 184
 - and perception. *See* Perceptions
 - and personal bias, 55, 64, 93, 96. *See also* Bias
 - and range, 106, 107, 109–111
 - and technical analysis. *See* Technical analysis (TA)
- Topping market
 - bottoming market compared, 153
 - described, 141
 - and market structure, 138, 139
 - opportunities, 149
 - and perception of price, 141–145
 - and secure range, 172
 - and secure trends, 167, 169, 170
 - smaller traders, perspective of, 145–149
- Trading choices
 - in downtrending market, 114, 115, 118, 139
 - and multiple time frames, 115–118
 - narrowing, 115, 117, 118
 - and opportunity, 120, 121
 - and order flow, 114–116
 - overview, 113, 114
 - range, 115, 116, 139
 - and time compression, 116–118
 - in uptrending market, 115–118, 138
- Uptrend markets
 - as order-flow imbalance, 107, 109
 - potential for, 102, 105–109
- Urge to action, 15, 17–19, 30, 55, 60–64, 70, 72, 82, 93–95, 120, 131, 133

- Value filter, 15, 16, 18
- Voltaire, 127, 134
- Volume
- in bottoming market, 153–155, 157–159
 - as component of market structure, 23, 26, 27, 29, 30
 - and multiple time frames, 98, 99, 106, 128
 - in range markets, 109, 111
 - in secure range, 172, 174–176, 178–180
 - in secure trend markets, 164–169
 - in topping market, 142–146, 148, 149
 - in trending markets, 106, 107
- Vonnegut, Kurt, 3
- Whipsaws, 46, 70, 117, 157, 173
- Wicks, 131, 132
- Willing buyer, 5
- Willing seller, 5
- Winners and losers
- accounts ratio, 130
 - analysis charts, 96–102
 - differences in trading, 83–86, 95, 96, 120–122, 183, 184
 - evaluation versus observation. *See* Evaluation versus observational thinking
 - Internet, use of to find losers, 131, 133
 - losers, relationships with, 131, 133, 135
 - and motivation, 50
 - as only two groups in market, 92, 95
 - perspectives, 85, 86, 88
 - and risk taking, 68–70
 - technical analysis, use of to find losers, 37–40, 59–65, 96–102, 130, 131
 - and thinking in probabilities, 123, 124, 134. *See also* Probabilities
 - winners watching losers, 95, 102
 - in zero-sum market, 5–7, 14, 67, 87, 183
- Zero-sum market
- described, 4, 5, 45
 - examples of, 5
 - and order flow, 8–10, 45, 127. *See also* Order flow
 - and price movement, 6–10
 - as tug-of-war, 11, 12
 - winners and losers, 5–7, 14, 67, 87, 183. *See also* Winners and losers